

# Uniform Tribal Gaming Regulation CGCC- 8

## Minimum Internal Control Standards

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#### (a) PURPOSE.

(1) Sections 6.0, 7.0, and 8.0 of the Tribal-State Indian Gaming Compact (Compact) authorizes the State, through its State Gaming Agency (SGA), to conduct compliance reviews of various aspects of each Tribe's Class III Gaming Operation and requires each Tribe to adopt and maintain written internal control standards that apply to the Tribe's Class III Gaming Operation. Specifically, Section 6.0 of the 1999 Compact, and comparable sections of new or amended Compacts, provide that each Tribe will conduct its Gaming Operation in compliance with a Gaming Ordinance adopted by the Tribe, and rules, regulations, procedures, specifications and standards adopted by the Tribal Gaming Agency (TGA). Section 7.1 of the 1999 Compact, and comparable sections of new or amended Compacts, requires the TGA to adopt and enforce regulations which ensure that the Gaming Operation "meets the highest standards of regulation and internal controls."

(2) Section 8.1 of the 1999 Compact, and comparable sections of new or amended Compacts, charge the TGA with responsibility to promulgate rules,

1 regulations and specifications and to ensure their enforcement. Compact  
2 sections 8.1.1 through 8.1.14 outline the matters which, at a minimum, these  
3 rules, regulations, and specifications must address. Compact sections 7.4  
4 through 7.4.4 provide the State Gaming Agency the authority to inspect the  
5 Gaming Facility, as defined in the Compact, as reasonably necessary to ensure  
6 compliance with the Compact. The purpose of this regulation, pursuant to  
7 Section 8.4, is to provide an effective uniform manner in which the SGA can  
8 conduct compliance reviews of the adoption and enforcement of these rules,  
9 regulations, and specifications by the TGA, and to protect the public as well as  
10 each Tribe.

11  
12 (3) As defined in Section 2.18 of the Compact, the State Gaming Agency includes  
13 the California Gambling Control Commission (CGCC) and the Department of  
14 Justice, Bureau of Gambling Control (Department).

15  
16 (4) Nothing in this regulation shall modify or otherwise affect the rights and  
17 obligations of the SGA under the Compact, including but not limited to, the  
18 ability of the SGA entities to share documents provided pursuant to this  
19 regulation, subject to the Compact's confidentiality provisions.

20  
21 (b) INTERNAL CONTROL STANDARDS. Each Tribal Gaming Agency (TGA) shall  
22 maintain written internal control standards applying to the operation of Class III  
23 gaming activities by the Tribe that equal or exceed the Minimum Internal Control  
24 Standards (MICS) set forth at 25 CFR Part 542 (as in effect on October 1, 2006),  
25 and shall provide a copy of these standards and amendments thereto when  
26 requested by the SGA, in accordance with Section 7.4 of the 1999 Compact, or  
27 comparable sections of new or amended Compacts.

- 1 (c) INTERNAL CONTROL SYSTEM. Each Tribe shall ensure that its Gaming Operation  
2 implements and maintains an internal control system that, at a minimum, ensures  
3 compliance with the tribal internal control standards that apply to its Class III  
4 gaming activities.
- 5
- 6 (d) NET WIN. The definition of “net win” contained in the applicable Tribal-State  
7 Compact shall apply to matters covered by this regulation, rather than the  
8 definition of "net win" provided at 25 CFR 542.19(d).
- 9
- 10 (e) FINANCIAL STATEMENTS AUDIT. Section 8.1.8 of the 1999 Compact, and  
11 comparable sections of new or amended compacts, provide that each Tribe shall  
12 engage an independent Certified Public Accountant (CPA) to provide an annual  
13 audit of the financial statements of each Gaming Operation. Such financial  
14 statements shall be prepared in accordance with generally accepted accounting  
15 principles and financial statements audits shall be conducted in accordance with  
16 generally accepted auditing standards, as supplemented by the standards for audit  
17 of casinos of the American Institute of Certified Public Accountants. Each Tribe  
18 shall submit to the CGCC staff all audit report information, including  
19 management letters and responses to management letters, pertaining to the  
20 operation of Class III gaming activities, within 120 days after the completion of  
21 the audit. The Tribe may elect to provide the entire audit report to the CGCC  
22 staff for review and CGCC staff will only utilize or record those aspects affecting  
23 the operation of Class III gaming activities.
- 24
- 25 (f) AGREED-UPON PROCEDURES AUDIT. Each Tribe shall engage an independent  
26 CPA to perform an annual "Agreed-Upon Procedures" audit in accordance with  
27 25 CFR 542.3(f) to verify that the gaming operation is in compliance with the  
28 Tribe's written internal control standards. Either the firm or all independent  
29 certified accountants engaged to perform an “Agreed-Upon-Procedures” audit

1 must be licensed by the California Board of Accountancy. The CPA shall prepare  
2 a report of the findings for the Tribe. The Tribe shall submit a copy of the report  
3 to the CGCC staff no later than 120 days after the completion of the audit.  
4

5 (g) STATE GAMING AGENCY ACCESS TO RECORDS. Pursuant to Section 7.4 and  
6 following of the 1999 Compact, or comparable sections of new or amended  
7 Compacts, SGA staff shall be given prompt access to all gaming operation  
8 facilities, equipment, personnel, and records reasonably necessary to ensure  
9 compliance with the Compact. Tribal officials shall not unreasonably withhold or  
10 deny access to records deemed necessary for compliance review by SGA staff.  
11 Upon request and notice to the Tribe and the TGA, the SGA staff shall be granted  
12 access during normal hours of the Gaming Facility's business office for  
13 inspection and copying records of the operation of all Class III gaming activities,  
14 including, but not limited to: internal control standards; work-papers of the  
15 independent CPA generated in performing the Agreed-Upon-Procedures audit;  
16 reports and work papers of the internal audit staff; observation checklists; CPA  
17 MICS compliance checklists or other comparable testing procedures; findings by  
18 the independent CPA or the internal audit staff; and exceptions and gaming  
19 operation response to the exceptions. The TGA and the Tribe shall permit the  
20 SGA staff to interview and consult with the independent CPA before and after the  
21 performance of the Agreed-Upon-Procedures audit.  
22

23 (h) CGCC REVIEW OF INDEPENDENT AUDITS. CGCC staff shall review both the  
24 audit of the financial statements pertaining to the operation of Class III gaming  
25 activities, the Agreed-Upon-Procedures report, and all information supplied by  
26 the Tribe and the TGA and may choose to conduct on-site compliance reviews of  
27 the operation of all Class III gaming activities. Nothing in this subsection (h)  
28 shall be construed to authorize the State to conduct a financial audit as is required  
29 of the Tribe by Section 8.1.8 of the 1999 Compact or authorized pursuant to 25

CFR 571.12.

(i) CGCC REPORT ACCEPTANCE AND TRIBAL ACTION PLAN.

(1) If an on-site compliance review is conducted, CGCC staff shall provide a draft Compliance Review Report (draft Report) to the Tribe and to the TGA, including findings of non-compliance, if any. The Tribe shall have 60 days, or such other time period as is mutually agreeable, to respond to the CGCC draft Report. If the Tribe accepts the draft Report, CGCC staff shall finalize its Report and, within 20 days of acceptance, submit the final Compliance Review Report (final Report) to the Tribe and the TGA. If no response to the draft Report is received from the Tribe by the 60th day or within such other time period as may be mutually agreed upon, the draft Report shall be deemed accepted. Within 20 days of the date on which the draft Report is deemed accepted by the Tribe, CGCC staff shall submit the final Report to the Tribe and the TGA.

(2) Within 45 days of receipt of the final Report, the Tribe shall acknowledge the final Report and, if findings require, provide a written action plan including a proposed time line addressing the findings. If no response to the final Report is received from the Tribe by the 60th day or within such other time period as may be mutually agreed upon, the final Report shall be deemed accepted. In the event that a final Report containing findings of non-compliance is deemed accepted, CGCC staff and the Tribe shall, within 30 days of that date or such other time period as is mutually agreeable, make good faith efforts to address and resolve the findings of non-compliance. If differences remain after the CGCC staff and the Tribe have made good faith efforts to resolve them, the dispute may be resolved pursuant to the dispute resolution process outlined in compact section 9.0.

(3) CGCC staff may review the impact or implementation of any action plan undertaken by the Tribe pursuant to this regulation and may issue an Action Plan Assessment to the Tribe.

(j) CGCC COMPLIANCE REVIEW REPORT DISPUTE.

(1) If the Tribe elects to contest the draft Report, CGCC staff and the Tribe shall make good faith efforts to resolve any differences within 30 days of receipt of the tribal response contesting the draft Report or such other time period as may be mutually agreed upon. If the dispute cannot be resolved within 30 days of receipt of the tribal response contesting the draft Report or such other time period as may be mutually agreed upon, the CGCC staff will finalize and deliver the Report.

(2) Within 30 days of receipt of the final Report, the Tribe shall provide a written explanation of its reasons for disputing the findings. If the Tribe fails to provide a written explanation within 30 days of receipt of the final Report, the final Report shall be deemed accepted. In the event that a final Report containing findings of non-compliance is deemed accepted, CGCC staff and the Tribe shall, within 30 days of that date or such other time period as is mutually agreeable, make good faith efforts to address and resolve the findings of non-compliance. If differences remain after the CGCC staff and the Tribe have made good faith efforts to resolve them, the dispute may be resolved pursuant to the dispute resolution process outlined in compact section 9.0.

(3) In the event that the Tribe has timely disputed the final Report, this Report and the Tribe's explanation of the dispute may at the option of the Tribe be referred for consideration by the full CGCC. In the event that the Tribe opts to pursue review by the full CGCC, the Tribe may further request that the

1 matter be set for closed session consideration at which time the Tribe may  
2 offer any evidence to support its position and/or offer a compromise  
3 reconciliation. All information presented shall be subject to the  
4 confidentiality provisions of the Compact. If, after consideration and decision  
5 by the full CGCC, where applicable, a dispute remains, it may be resolved  
6 pursuant to the dispute resolution process outlined in Compact Section 9.0. If  
7 the Tribe does not opt for review by the full CGCC, the dispute may be  
8 resolved pursuant to the dispute resolution process outlined in Compact  
9 Section 9.0.

10  
11 (k) CONFIDENTIALITY. Pursuant to Compact section 7.4.3(b), or comparable sections  
12 of new or amended Compacts, the SGA shall exercise utmost care in the  
13 preservation of the confidentiality of any and all information received from the  
14 Tribe in compliance with this regulation, including but not limited to tribal  
15 internal control standards, third-party audits, tribal audits, and state compliance  
16 reviews, and shall apply the highest standards of confidentiality expected under  
17 state law to preserve such documents from disclosure.

18  
19 (l) VARIANCE TO INTERNAL CONTROL STANDARDS.

20 (1) A TGA may approve a variance from the control standards set out at 25 CFR  
21 Part 542, provided that the TGA determines that the variance will achieve a  
22 level of control sufficient to accomplish the purpose of the standard it is to  
23 replace. The variance shall take effect on the date of approval by the TGA or  
24 such later date as may be specified by the TGA.

25  
26 (2) The TGA shall, within 30 days of approval, provide to the CGCC staff a copy  
27 or a detailed description of the variance, the rationale for the variance, and  
28 evidence of approval by the TGA. The CGCC staff shall review the variance  
29 approval within 60 days of its receipt by the CGGC or such other time period

1 as is mutually agreeable. The CGCC staff shall bring any concerns to the  
2 attention of the TGA within 30 days or such other time period as is mutually  
3 agreeable. If differences remain after the CGCC staff and the TGA have made  
4 good faith efforts to resolve them, the dispute may be resolved pursuant to the  
5 dispute resolution process outlined in Compact Section 9.0.

6  
7 (3) The TGA shall not be required to submit to the CGCC staff pursuant to this  
8 subsection (l) any variance that was submitted to the National Indian Gaming  
9 Commission prior to October 1, 2006, and considered “concurred with” under  
10 the terms of 25 CFR 542.18.

11  
12 (m) UPDATING INTERNAL CONTROLS AND THIS REGULATION.

13 (1) Nothing in this regulation shall be construed to preclude individual tribes and  
14 the SGA from meeting, from time-to-time, to discuss MICS compliance  
15 matters in light of changing technology or industry best practices.

16 (2) The Tribal-State Regulatory Association may meet from time-to time, but not  
17 less often than once every two years, to discuss possible modifications of this  
18 regulation in light of changing technology or industry best practices.

19  
20 (n) DISPUTES. If a dispute not previously addressed by this regulation arises between  
21 CGCC staff and a Tribe involving the application or interpretation of this  
22 regulation, the parties shall make good faith efforts to resolve their differences.

23 (1) If these good faith discussions do not resolve the matter, then the matter may,  
24 at the option of the Tribe, be referred to the full CGCC for review and  
25 decision.

26 (A) In the event that the Tribe opts to pursue review by the full CGCC, the  
27 Tribe may further request that the matter may be set for closed session  
28 consideration.



1 (B) If the Tribe opts for such consideration, after the full CGCC reviews  
2 the matter and makes a decision, or if the full CGCC for any reason  
3 does not make a decision, the Tribe shall be entitled to invoke the  
4 dispute resolution process outlined in Compact section 9.0.

5 (C) If, having opted for such consideration, the Tribe declines to follow the  
6 decision of the full CGCC, the State shall be entitled to invoke the  
7 dispute resolution process outlined in Compact section 9.0.

8 (2) In the event that the Tribe does not opt for review before the full CGCC,  
9 either party shall be entitled to invoke the dispute resolution process outlined  
10 in Compact section 9.0.

11  
12 (o) SEVERABILITY. The provisions of this regulation are severable. If any  
13 provision of this regulation or its application is held invalid, that  
14 invalidity shall not affect other provisions or applications that can  
15 be given effect without the invalid provision or application.